

Annual Benchmark Report for Services: Fourth Quarter 2003 to Fourth Quarter 2006

INTRODUCTION

The U.S. Census Bureau produces the *Annual Benchmark Report for Services* to provide revised national estimates of quarterly revenue for select service industries. (See the **Coverage** section below for more information on the industries included in the Quarterly Services Survey.) The quarterly revenue estimates shown in this report have been revised in a manner that adjusts them to annual revenue estimates from the 2005 Service Annual Survey. For more information about the revision procedure, see the **Revisions to Previously Published Quarterly Estimates** section of this report.

We develop the estimates in this report using data from the Quarterly Services Survey (QSS), the Service Annual Survey (SAS), and administrative data. For each survey, we mail survey questionnaires to a probability sample of firms in the United States having paid employees. Therefore, the quarterly revenue estimates produced from QSS do not include revenue from non-employer firms (i.e., firms without paid employees).

Additional information on QSS and SAS can be found on the Census Bureau website at:

<http://www.census.gov/qss>.

COVERAGE

The estimates in this report are summarized by industry classification based on the 2002 North American Industry Classification System (NAICS).

NAICS groups establishments into industries based on the activities in which they are primarily engaged. This system, developed jointly by the statistical agencies of Canada, Mexico, and the United States, allows for comparisons of business activity across North America.

Estimates are presented for selected industries in the following NAICS sectors (2-digit NAICS codes) and subsectors (3-digit NAICS codes):

NAICS

Sector/Subsector	Title
51	Information
54	Professional, Scientific, and Technical Services
56	Administrative and Support and Waste Management and Remediation Services
622	Hospitals
623	Nursing and Residential Care Facilities

The Information sector for NAICS 2002 includes substantial revisions from NAICS 1997, including coverage of NAICS 516110 – Internet Publishing and Broadcasting and NAICS 518112 – Web Search Portals. Consequently, estimates are shown for only two quarters for the revised industries for this sector. The correspondence table for the Information sector from NAICS 1997 to NAICS 2002 is listed at the following website:

www.census.gov/epcd/naics02/N02N9751.HTM

Detailed information about NAICS can be found on the Census Bureau Web site at:

<http://www.census.gov/epcd/www/naics.html>

REVISIONS TO PREVIOUSLY PUBLISHED QUARTERLY ESTIMATES

The current sample is introduced with the release of QSS estimates for fourth quarter of 2006. This new sample is based on the 2002 North American Industry Classification System (NAICS) and replaces the prior sample, which was designed to produce estimates based on the 1997 NAICS. For more information on the NAICS industries covered by QSS, see the **Coverage** section.

We revise the previously published quarterly revenue estimates to:

- Reflect results of the 2004 and 2005 Service Annual Survey (SAS).
- Introduce estimates for third and fourth quarter of 2006 from the current sample.
- Link the previously published estimates from the prior sample to estimates from the current sample.

The remainder of this section describes the procedure we use to produce the revised estimates.

For industries affected by the change from 1997 to 2002 NAICS, published revenue estimates for fourth quarter of 2003 through third quarter of 2006 from the prior sample are restated on a 2002 NAICS basis, using revenue distributions from the 2002 Economic Census that link the two sets of classification codes. Of particular note, the estimates for Sector 51 are revised due to the creation of new industries for Internet publishing and broadcasting and Web search portals. For industries not affected by the change from 1997 to 2002 NAICS, there is no need to restate the published revenue estimates from the prior sample.

The revenue estimates for fourth quarter of 2003 through second quarter of 2006 from the prior sample are linked to the estimates for third and fourth quarter 2006 from the current sample. The linkage is performed for each detailed NAICS level (including separate breakouts by tax status for Sector 62) by multiplying the direct-expansion estimates, or unmodified estimates, from the prior sample by a geometric mean. The geometric mean

is computed as the square root of the product of two ratios. The numerators of the ratios are the unmodified revenue estimates for second and third quarter 2006 from the current sample. The denominators of the ratios are the unmodified estimates for second and third quarter 2006 from the prior sample.

After performing the above linkage, the resulting revenue estimates for fourth quarter of 2003 through fourth quarter of 2006 are input to the benchmarking program. The estimates for a given detailed NAICS level are revised to produce the published benchmarked estimates in a manner that:

- For Sectors 51, 54, and 56, constrains the sum of the four quarterly revenue estimates for 2004 and 2005 from QSS to equal the corresponding census-adjusted, annual revenue estimate for employers obtained from SAS. See the 2005 Service Annual Survey Report for a description of how these estimates are derived.
- For Sector 62, constrains the sum of the four quarterly revenue estimates for 2005 from QSS to equal the corresponding census-adjusted, annual revenue estimate for employers obtained from SAS. Because data for this sector were not collected in QSS prior to the fourth quarter of 2004, the 2004 results for this sector from SAS are not used in the benchmarking procedure.
- Minimizes the sum of the squared differences between the quarter-to-quarter changes of the input and revised revenue estimates.

A mathematical result of the benchmarking methodology is that all revised estimates following the end of the last benchmark year (2005) are derived by multiplying the corresponding input estimates by the ratio of the benchmarked-to-input estimate for the last quarter of the last benchmark year. Therefore, for a given detailed NAICS level, a ratio of the benchmarked-to-input estimate for fourth quarter of 2005 is computed. Revenue estimates for quarters after the fourth quarter of 2005 are multiplied by this constant ratio, which is called a carry-forward factor, to derive published revenue estimates. The carry-forward factor remains the same until the next benchmarking operation.

Similar to revenue, the unmodified estimates for other data items from the prior sample are linked to the unmodified estimates for third and fourth quarter of 2006 from the current sample, using a geometric mean involving the item of interest. After applying the geometric mean, a further adjustment may be performed to revise the quarterly estimates from the prior and current samples. For revenue by class of customer, the estimate for a given quarter is multiplied by a ratio, where the numerator is the revised revenue estimate for the quarter, and the denominator is the revenue estimate for the quarter that was input to the benchmarking program. In this way, the estimated proportion of revenue by class is preserved after the revenue estimates are revised. For expenses, the estimates are benchmarked using a procedure similar to that for revenue, where the sum of the four estimates of expenses for 2005 equals the corresponding census-adjusted, annual estimate of expenses from SAS. For inpatient days and discharges, no further adjustment is made.

Revised estimates for aggregate industry levels are obtained by summing the revised estimates for the appropriate detailed industries comprising the aggregate. For NAICS 541320 (Landscape Architectural Services), 541940 (Veterinary Services), and 561730 (Landscaping Services), estimates of revenue and revenue by class of customer from the current sample are not revised, because data for these industries are not available prior to the second quarter of 2006.

ADDITIONAL INFORMATION

Survey Questionnaires

The Quarterly Services Survey questionnaires can be found on the Census Bureau Web site at: www.census.gov/qss.

Dollar Values

All dollar values presented are expressed in current dollars; that is, the estimates are not adjusted to a constant dollar series. Consequently, when comparing estimates to prior years, users also should consider price level changes.

Confidentiality

Title 13 of the United States Code authorizes the Census Bureau to conduct censuses and surveys. Section 9 of the same Title requires that any information collected from the public under the authority of Title 13 be maintained as confidential. Section 214 Title 13 and Sections 3559 and 3571 of Title 18 of the United States Code provide for the imposition of penalties of up to 5 years in prison and up to \$250,000 in fines for wrongful disclosure of confidential census information.